

**CITY OF COLUMBUS CITY, IOWA**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2015 THROUGH JUNE 30, 2016**

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## Officials

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Name	Title	Term Expires
<b>Officials</b>		
DeeAnna Cutler	Interim Mayor	December, 2017
George Bell	Council Member	December, 2019
Sarah Hand	Council Member	December, 2019
Ron Cutcomp	Council Member	December, 2017
Chester Grogan	Council Member	December, 2019
Cory Kahl	Council Member	December, 2017
Sofia Torres	City Clerk/Treasurer	Resigned May, 2016
Danielle Duran	City Clerk/Treasurer	Indefinite
Ivan Arthur	City Accountant	Indefinite

## **Independent Accountant's Report on Applying Agreed-Upon Procedures —**

To the Honorable Mayor and  
Members of the City Council  
City of Columbus City, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Columbus City for the period July 1, 2015 through June 30, 2016. The City of Columbus City's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Columbus City, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Columbus City, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Columbus City and other parties to whom the City of Columbus City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Traer, Iowa  
August 16, 2016

## Detailed Recommendations

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## Detailed Recommendations

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For the Period July 1, 2015 through June 30, 2016

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling and reconciling.
- (2) Investing - investing, custody of investments and reconciling earnings.
- (3) Receipts - opening mail, collecting and depositing.
- (4) Utilities - billing, collecting, depositing and maintaining detailed accounts receivable and write-off records.
- (5) Debt - compliance and debt payment processing.
- (6) Journal entries - preparing and journalizing.
- (7) Disbursements - purchasing, invoice processing, check writing and mailing.
- (8) Payroll - preparing, signing and distributing.
- (9) Computer system - performing all general accounting functions and controlling all data input and output.
- (10) Financial reporting - preparing and reconciling.

**Recommendation** - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **Bank Reconciliations** - The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year.

**Recommendation** - To improve financial accountability and control, monthly bank reconciliations, including investments, should be performed and retained, and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review. Interest earned on all accounts, including certificates of deposit, should be recorded when earned. Reconciling items should be investigated to determine the appropriate course of action for each, rather than repeating those items on the reconciliations for extended periods of time.

- (C) **Official Depositories** - A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

**Recommendation** - A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

## Detailed Recommendations

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For the Period July 1, 2015 through June 30, 2016

- (D) **Investments** - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. Additionally, the location of the documentation for the City's four certificates of deposit was not known or readily available.

**Recommendation** - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. All investment documents should be under the control of a responsible City official and be kept in a safe deposit box or vault.

- (E) **Accounting Policies and Procedures Manual** - The City does not have an accounting policies and procedures manual.

**Recommendation** - An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (F) **City Council Minutes** - We reviewed the minutes for four meetings and identified the following:

- (1) Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within 15 days of the meeting and include a summary of receipts and a listing of each claim being paid, along with a reason for each claim. The minutes for the November 2, 2015 meeting were not published. In addition, the minutes for the February 8, 2016 and March 7, 2016 meetings were published, but not within 15 days of the meetings. For each of the four meetings tested, the minutes did not include total disbursements by fund, a complete list of claims paid and reasons for each claim or a summary of total receipts.
- (2) Chapter 380.7 of the Code of Iowa requires minutes to be printed and signed. The minutes for the August 3, 2015 and November 2, 2015 meetings were not signed by the City Clerk.
- (3) Chapter 21.4 of the Code of Iowa requires that notice of the time, date, place of each meeting and the tentative agenda be given at least 24 hours prior to the commencement of any meeting. For each of the four meetings tested, proper notice was not given.

**Recommendation** - The City should comply with the Code of Iowa and publish City Council minutes within 15 days and include a summary of receipts, a complete listing of claims paid and a reason for each claim paid in the minutes. In addition, all minutes and resolutions adopted should be signed by the City Clerk and Mayor. Also, proper notice of the time, date, place of each meeting and the tentative agenda should be given at least 24 hours prior to the commencement of any meeting.

## Detailed Recommendations

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For the Period July 1, 2015 through June 30, 2016

- (G) **Chart of Accounts** - The City has not fully implemented the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the CFC on September 25, 2002. In addition, debt principal and interest were improperly recorded in one account.

**Recommendation** - To provide better financial information and control, the recommended COA, or its equivalent, should be followed for all transactions, including debt service payments. In addition, the City should review the Uniform COA to ensure debt principal and interest are recorded to the proper accounts.

- (H) **Section 148** - The City does not have written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code as it relates to debt obligations.

**Recommendation** - The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.

- (I) **Management Financial Information** - The Clerk's financial reports to the City Council did not include comparisons to the certified budget by function. In addition, the Clerk's financial reports to the City Council did not include a Clerk's report.

**Recommendation** - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should include a Clerk's report which presents the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (J) **Surety Bond Coverage** - Surety bond coverage for City officials and employees was not maintained for the year ended June 30, 2016 as required by Chapter 64 of the Code of Iowa.

**Recommendation** - The City should comply with Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

- (K) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check.

**Recommendation** - The City should obtain and retain images of both the front and back of canceled checks, for all accounts, as required by Chapter 554D.114 of the Code of Iowa.

- (L) **Annual Financial Report** - We noted that the City had debt improperly classified as general obligation debt on the fiscal year 2015 annual financial report.

**Recommendation** - The City should review debt documentation to ensure debt is properly classified.

## Detailed Recommendations

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For the Period July 1, 2015 through June 30, 2016

(M) **Disbursements** - The following were identified:

- (1) Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for 4 of 30 transactions tested, totaling \$592.69, could not be located.
- (2) There was no indication in the City Council minutes that the City Council approved 7 of 30 transactions tested, totaling \$1,339.67.

**Recommendation** - All disbursements should be supported by invoices or other supporting documentation. In addition, each invoice should be approved by the City Council and authorization of the individual disbursements should be documented in the City Council minutes.

(N) **Payroll** - The following were identified:

- (1) Although timecards are maintained for hourly employees, for the months tested, there was no indication that the timecards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.
- (2) The City could not locate evidence of the approved pay rate for any of the transactions tested.
- (3) The City could not locate a timecard for three of five transactions tested.

**Recommendation** - Timecards should be maintained, reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review, and the timecards should be retained. Approved salaries and/or hourly pay rates of employees should be documented annually in the City Council minutes and in the employees' personnel files.

(O) **Local Option Sales Tax (LOST)** - The City did not have a copy of the most recent LOST ballot or revenue purpose statement. In addition, the City has not been tracking the use of LOST receipts.

**Recommendation** - The City should retain a copy of the LOST ballot and revenue purpose statement. In addition, the City should establish a special revenue fund to account for LOST receipts, disbursements and transfers to ensure that LOST receipts are being used in accordance with the ballot.

(P) **City Officials' Utility Accounts** - The City does not maintain a listing of utility cash receipts by customer. Therefore, we were unable to trace utility payments for City officials' accounts to collection and deposit.

**Recommendation** - The City should maintain a listing of utility cash receipts by customer in order to reconcile utility payments with individuals' utility billings.

## Detailed Recommendations

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For the Period July 1, 2015 through June 30, 2016

- (Q) **Certified Budget** - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the culture and recreation, public safety and general government functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**Recommendation** - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (R) **Petty Cash** - The City's petty cash funds were not included in the City's accounting records and resulting fund balances.

**Recommendation** - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the Clerk's accounting system.